



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

June 27, 2000

H.R. 4717 **Full and Fair Political Activity Disclosure Act of 2000**

As ordered reported by the House Committee on Ways and Means on June 22, 2000

H.R. 4717 would require certain private, nonprofit organizations to disclose their political expenditures and contributions to the Internal Revenue Service (IRS). Political organizations, as defined by section 527 of the tax code, would be required to report any contributions or expenditures of \$200 or more. The bill would require certain tax-exempt organizations that spend more than \$10,000 on election-related activities—such as civic and business groups and labor and agriculture organizations—to disclose contributions and expenditures of \$1,000 or more. H.R. 4717 would require that these organizations and the IRS both make the reported information available to the public.

The bill would require the IRS to make the reported information available within two business days of its filing. The IRS also would be responsible for issuing regulations and ensuring that organizations comply with the bill's provisions, although it is possible that the bill would allow the IRS to enter into an interagency agreement to have the Federal Election Commission (FEC) perform such work on its behalf.

Implementing H.R. 4717 would increase administrative costs of the IRS, but CBO has not had sufficient time to estimate the amount of such higher costs, which would be subject to the availability of appropriated funds. If implementing the bill would require that the IRS develop new systems to accept, catalogue, and make available the reported information within two days, the costs could be substantial. Alternately, if the IRS were able to enter into an interagency agreement with the FEC to accept and post the information on the IRS's behalf, the costs would likely be significantly less since the FEC already performs such work for political candidates and parties.

Because the bill would create new penalties for violating campaign finance disclosure laws, pay-as-you-go procedures would apply. However, CBO estimates that additional payments to the federal government from such penalties, which are classified as governmental receipts (revenues), would total less than \$500,000 a year.

The Joint Committee on Taxation (JCT) has determined that the bill's requirements on section 527 organizations and certain tax-exempt organizations to disclose their political activities and contributions would be private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). JCT estimates that the aggregate cost to the private-sector to comply with these mandates would not exceed the threshold established in UMRA (\$109 million in 2000, adjusted annually for inflation) in any of the first five fiscal years after enactment. The bill contains no intergovernmental mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

The CBO staff contact is John R. Righter. This estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.